

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (UNAUDITED)

For the Six Months ended June 30
(000's)

	<u>1977</u>	<u>1976</u> (Restated)
Working Capital at beginning of period	<u>\$3,909</u>	<u>\$4,790</u>
Source (Application) of Funds		
Operations —		
Net Income (Loss) for period	28	(282)
Charges not requiring an outlay of funds —		
Depreciation and Amortization	297	417
Other	<u>4</u>	<u>8</u>
To (from) operations	329	143
Additions to Property, Plant & Equipment (Net)	(271)	(272)
Decrease in Long Term Debt	<u>(46)</u>	<u>(157)</u>
Increase (Decrease) in Working Capital	<u>12</u>	<u>(286)</u>
Working Capital at end of period	<u><u>\$3,921</u></u>	<u><u>\$4,504</u></u>



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VAN DER HOUT ASSOCIATES LIMITED

SIX MONTHS REPORT
TO SHAREHOLDERS

JUNE 30, 1977

To Our Shareholders:

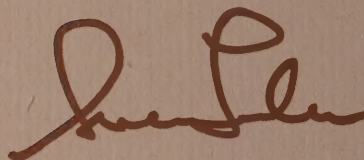
Van Der Hout Net Sales for the first six months of 1977 were up 9% to \$18,146,000 compared to \$16,690,000 for the same period last year. This sales gain reflects a continuing strong demand by motor vehicle manufacturers in both the United States and Canada, which helped offset a generally sluggish performance in the auto parts replacement market in the 2nd quarter.

Year-to-date earnings were \$28,000, or 2¢ per share, compared to a restated loss of \$282,000, or 17¢ per share, for the same period in 1976. This improved earnings performance reflects the organizational changes and reorganization begun at the end of last year. Improved efficiencies and reduced expenditures were, however, partly offset by increased costs for raw materials, labor and energy.

Management will continue to strive for further refinement in operating procedures and to monitor expense levels throughout the Company's divisions. For the coming months, we see a continuation of the strong demand by vehicle manufacturers, particularly in the United States; however, it appears that the Canadian automotive parts replacement market will remain somewhat soft.

The challenge of Management continues to be to return the Company to an acceptable profit level within a reasonable period of time.

On behalf of the Board,



S.E. Lunder,
President

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the Six Months ended June 30
(000's)

	1977	1976 (Restated)
Net Sales	\$18,146	\$16,690
Operating Profit (Loss)	59	(347)
Less:		
Income Taxes	24	(79)
Minority Interest	7	14
Net Profit	\$ 28	\$ (282)
Earnings (Loss) Per Share	2¢	(17)¢